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A post-GDP critique of the Europe 2020 strategy

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Abstract

2012 is the year the European Commission will conduct an assessment of its roadmap on “GDP and beyond: Measuring progress in a changing world”. The paper gives an overview of the limits to GDP and the relevance to measuring social capital and sustainability. The arguments and evaluations on limits to growth made by Joseph Stiglitz, Tim Jackson, Amartya Sen and other academics are employed. This report examines the overarching EU strategy to replace the Lisbon Strategy, the Europe 2020 Strategy, with Beyond GDP arguments. Then the room for the Europe 2020 Strategy to promote wellbeing and sustainability is evaluated. The report assesses the approach to promoting growth and jobs; poverty reduction; sustainability; and education in the EU strategy. In conclusion, the report will look at what efforts are being made at the EU level to promote statistical capabilities and political momentum to go beyond GDP.

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1. Introduction

2012 is the year the European Commission will conduct an assessment of its roadmap on “GDP and beyond: Measuring progress in a changing world”. This is a part of an EU and International movement that aims to identify indicators that could complement GDP. The initiative has been a priority at the EU level since 2008 - when the European Commission initiated the process of redefining the key EU strategy to replace the Lisbon Strategy, the Europe 2020 Strategy. However the focus in the new Strategy was mostly on improving economic growth. Examining this EU Strategy from the beyond-GDP perspective is important as there are various dimensions to quality of life that are interlinked. For example, education or quality employment can affect others, such as health status, social relations, and civic participation. How we measure societal progress is important because it impacts on how political decisions are made and how society defines progress. Promoting GDP can often be over simplistic as environmental degradation or negative social impacts are not included in this measurement of economic performance.

Although there has been a lot of research conducted on indicators to complement GDP, the debate has mainly stayed inside the academic community and has not been discussed by policy makers or citizens at large. Although within the academic community and many international organisations there is a conceptual consensus about measuring wellbeing, the timeliness of data is a practical barrier to the uptake of indicators. However, even those who defend GDP would admit that GDP alone cannot measure all aspects of human development, does not account for social costs, and should be complemented by alternative indicators (Norberg, 2010). The main area of disagreement when it comes to how to complement GDP stems from alternative indicators based on estimates rather than measureable values could imply subjective evaluation. Then it is difficult to find alternative indicators when there is no common understanding on societal well-being or sustainability. There are measures of well-being such as life expectancy and rates of disease. These indicators are chosen to complement GDP through the subjective judgment of decision makers, so for many academics the distinction between subjective and objective indicator is not always clear (Costanza et al., 2009).

This is starting to change: a survey conducted by GlobeScan in both 2007 and 2011 found that a majority of the people want to look past economic measures of progress to include health, social and environmental statistics to measure national progress (Globescan, 2011). This also goes along with a 2008 Eurobarometer poll showing that more than two thirds of EU citizens feel that progress should be measured using environmental, social and economic indicators equally^a. These surveys present indications that EU Institutions should reconsider their approach to policy making and take further steps towards linking wellbeing to overarching EU objectives.

Although in times of crisis, the public and policy makers are preoccupied with ‘hard’ economic indicators such as income, material living conditions and employment rates, does not mean that sustainability and social inclusion are no longer priorities. A 2011 Eurobarometer found that 95% of EU citizens feel that protecting the environment is important to them personally (-1 point compared to 2007 and 58% consider it to be very important.) At the same time, only 34% of citizens consider climate change as one of their five major concerns, compared to 57% in 2007. For action at the EU level 64% of people believe that changes should be made at a European level and 81% support environmentally-focused legislation^b. Furthermore, many Europeans view the efficient use of natural resources (83%) and the protection of the environment (77%) as ways to improve economic growth in the EU.

^a Special Eurobarometer 295/ March 2008;

^b Special Eurobarometer 365 Attitudes of European citizens towards the Environment
http://ec.europa.eu/environment/pdf/EB_summary_EB752.pdf

Unemployment is traditionally an important public concern, and many would not be surprised to see that 63% of Europeans view this as a priority for the EU. However a more comprehensive approach going beyond economic growth would be necessary following public opinion as the second priority identified by citizens was poverty (42%), the third health (35%) and the fourth education and training (30%). Moreover, a quarter of Europeans view equal opportunities for all as a top priority^c. This survey found that just under two-thirds of Europeans (64%) are not happy with the way the inequalities and poverty are addressed in their country. If public opinion is used to judge reasons to develop indicators to compliment GDP and implement them in policy-making, these results are a strong indication that the majority of people living in Europe would support more nuanced indicators.

The European Commission, European Parliament, Club of Rome, OECD, and WWF organised a conference “Beyond GDP - measuring progress, true wealth, and a nation’s wellbeing”. The conference gathered experts, civil society and policy makers to discuss the most appropriate measures of societal progress, how these indicators can be included in the policy-making progress and be taken up in public debate. The conference concluded that there is a need to go beyond GDP to measure progress and wellbeing, that action should be taken urgently and quickly, underlined the need for timely data and announced that the European Commission will present a roadmap for action.

The first action is the EU will also aim compliment GDP with indicators on quality of life and wellbeing, using indicators on “input” from income, public services, health, leisure, mobility and a clean environment. The second action is providing near real-time information for decision-making (more timely environmental and social indicators). This has the potential to bridge many of the practical barriers to complimenting GDP, and could help facilitate the use of these indicators. The third action is more accurate reporting on distribution and inequalities. One of the overarching goals of the Union is to reduce disparities between regions and social groups. Thus more data is needed to measure inequalities to be able to analyse if GDP is rising, but the number of people living at risk of poverty is increasing. The Communication brought to light the link between social exclusion and environmental deprivation, citing Pye et al. (2008) the Commission showing that poorer people, while polluting less, live in areas of lower environmental quality, which contributes to poorer health, stress and vulnerability to natural disasters. The fourth action is to develop a European sustainable development scoreboard. The final action is to extend national accounts to environmental and social issues. This action has the potential to build on the existing system of national accounts which allow GDP to be measured quickly to be used for environmental and social indicators. If implemented properly, this action would allow greater uptake of complementary indicators as the social and environmental data would be readily available and could be measured alongside GDP.

“This debate particularly relevant due to the fact that one of the overarching goals of the EU is that “the Union's aim is to promote peace, its values and the well-being of its peoples” (Article 3 TEU). In this report, the Europe 2020 Strategy will be examined, the post-GDP agenda and arguments of the limits of economic growth will be presented, and then one can look into the room for the Europe 2020 Strategy to promote wellbeing and we can see what efforts are being made at the EU level to promote statistical capabilities.

2. Europe 2020 Strategy

On 3 March 2010, José Manuel Barroso, President of the European Commission, released the long-awaited “EU 2020 Strategy” - the roadmap 2010-2020 for greener growth and jobs in Europe. This is the overarching

^c Special Eurobarometer 350 The European Social Fund, http://ec.europa.eu/employment_social/esf/docs/ebs_350_en.pdf

economic strategy with the objective of creating “a smart, sustainable and inclusive economy”. By raising Europe’s employment rate the EU aims to create more and better jobs, especially for women, young people and older workers. This can further boost human capital through investment in skills & training. By inclusive growth the EU can insure that the benefits of growth reach all parts of the EU. According to President Barroso, the strategy should bring at least 2% growth, which demonstrates how closely related the strategy is to increasing growth. By June 2010 all the Heads of States of Member Countries and the European Parliament endorsed this Strategy. The strategy identifies five headline targets at the EU level, and Member States have set national goals:

- Raising the employment rate of the population aged 20-64 from the current 69% to 75%.
- Raising the investment in Research and Development (R&D) to 3% of the EU’s GDP.
- Meeting the EU’s ‘20/20/20’ objectives on greenhouse gas emission reduction and renewable energies.
- Reducing the share of early school leavers from the current 15% to fewer than 10% and making sure that at least 40% of youngsters have a degree or diploma.
- Reducing the number of Europeans living below the poverty line by 25%, lifting 20 million out of poverty from the current 80 million.

A few of these targets, for example the 3% R&D target and the employment rate (which is now higher at 75%), were included in the Lisbon Agenda. Others such as the 20% greenhouse gas emission reduction target and renewable energy objectives have already been agreed and incorporated into legislation. This is the first time the EU set binding social targets for education and the fight against poverty. However, the Europe 2020 Strategy does not challenge the growth paradigm. (Hervás Soriano & Mulatero, 2010) It is about “smart, sustainable and inclusive growth”, not an equitable sustainable society. Even the wording “sustainable growth” could both mean green growth and trying to promote economic growth over a period of time. Despite the social targets and mention to “inclusive growth” the strategy has a limited role for social security, social protection and services. The Strategy focuses on reaching the employment targets through getting people into jobs, rather than on quality jobs and active inclusion (Reuter, 2010).

For the Europe 2020 to achieve both inclusive and sustainable growth focusing only on GDP will not be sufficient and a focus that includes poverty and inequality is necessary. Many have noted that the in the EU the focus on growth and increasing GDP does not correlate with reduced inequalities and more social inclusion. Dhéret (2011) argues that GDP does not capture income inequality and gaps with regions. A focus on social inclusion does not exclude economic growth, and policies such as education act as investment in human capital. Outside the ongoing economic debate on whether the poor benefit or not from growth, which is beyond the scope of this paper (see: Ravallion, 2001), the development of a target to measure socio-economic performance shows political commitment of EU Member States to poverty reduction. However, the political commitment to social inclusion is undermined as the EU will use traditional methods of the Lisbon Strategy to boost growth and competitiveness. Without a stronger focus on social inclusion and sustainability in the flagship initiatives, EU legislation, and policy instruments to achieve the Europe 2020 strategy, little progress could be expected in the promoting alternative ways of measuring progress (Barbier, 2011).

As there are limits to growth: both in the terms that there is direct reduction in natural resources will hinder prospects for growth in the future and economic growth does not deliver more inclusive and cohesive societies – a more nuanced approach is in order to reach the poverty target. Therefore an effective policy response should be multifaceted and combine efforts to facilitate quality employment and provide adequate social protection, as part of the holistic approach.

3. What is GDP?

Our societies and economies have been dependent on Gross Domestic Product (GDP) as a measure of national success and development since the 1930s. GDP measures the overall total of economic transactions in a country, and the indicator came into being following the Great Depression as a way to measure recovery. With a lack of other indicators, GDP also became the “de facto” in order to measure societal progress and well-being in society (Canoy et al., 2007). GDP is the most widely used measure of economic performance, and often used to evaluate policy decisions. Essentially it is a measure of national wealth, and at first glance seems a reasonable indicator of societal progress. Often times for decision makers and the public a rise in GDP can be equated with decreasing poverty levels or increasing employment, when this is not the case. This has led to a “Growth is Good” paradigm, where economic growth is synonymous with human development (Costanza et al., 2009). However, the current economic crisis is demonstrating the relative crude nature of overall wealth as a measure of society.

GDP is calculated through the combined transactions (private consumption, investment, government consumption and total imports) in a country. Non-market transactions, such as family work, unpaid care, neighbourliness and volunteering would not be evaluated in GDP. One reason, why GDP has become such a relevant indicator is that governments monitor GDP quarterly, and many times environmental and social data can be outdated by the time it is published and reaches policy makers. Jeroen van den Bergh argues that the focus on GDP is partly caused by a self-fulfilling prophecy brought on by its central position in the perceptions of the financial markets. Due to the fact that key actors *think* GDP is important (politicians, governments, financial institutions, international organisations, consumers) there are influences on the ‘real’ economy and as a consequence reinforces the perceptions about the importance of GDP.

This is problematic as GDP takes into account economic performance, but does not measure sustainable development, quality of life, human and social capital and well-being. Nor does GDP differentiate between activities that have a negative or positive impact on society and the environment. For example, GDP measures the total value of goods and services, but does not take into account the risks and financial burden of over-consumption, such as pollution, environmental damage, social stress, increasing inequalities and public health risk factors. It is also difficult to make sound decision-making on social, environmental and health policies aiming to improve societal progress, when the only criteria is being considered from a uniquely financial point of view. This highlights the need to develop measures that complement GDP that can evaluate the social and environmental costs and benefits of services, products, and policy options. GDP cannot measure the impact and effects of policies on many of today’s challenges, such as an obesity epidemic, climate change, and an ageing population. In fact, GDP was never meant to be used to measure societal progress or well-being. The developer of GDP, Simon Smith Kuznets reported to the U.S. Congress in 1934 that “the welfare of a nation can scarcely be inferred from a measure of national income^d. At the same time, there is a growing recognition that well-being should be a criteria to evaluate policies, but with little consensus on how to measure well-being.

4. Limits of GDP

This growing realisation of the limitations of GDP stems from its inability to demonstrate whether quality of life has been improved nor how wealth is distributed within society. Overall wealth in Europe has increased during recent decades, however its distribution has become increasingly unequal with currently 80 million

^d As quoted in “Economists Search for New Definition of Well-Being” available at <http://www.spiegel.de/international/business/beyond-gdp-economists-search-for-new-definition-of-well-being-a-650532.html>

Europeans living in poverty. The unequal distribution is reflected both within European countries and between countries. Another problem is that GDP does not reflect the distribution of wealth and the changes that have occurred during the past 20 years. While GDP has continued to rise, wages have stagnated, pensions have shrunk or disappeared and income inequality has increased (Uchitelle, 2008).

Do we really need a measure beyond GDP when this has been sufficient for the last 80 years? Is this merely a moot point with little real impact beyond policy discussions and economic units? The answer is that using different measures of our progress can have a profound impact on decision-making. For example recent studies have shown the links between the financial crisis and an increase in suicide rates in Europe (Stuckler, 2009). The research shows that countries increasing investment in welfare systems during the crisis are able to reduce suicide rates. Supporting people back into working life and promoting measures to prevent them from losing their job in the first place were more beneficial than unemployment benefits – showing the need for a holistic approach to policy making that takes into account all needs. This nuanced and holistic evidence is not reflected in the GDP measures of how our societies are doing – and sadly the economic solutions to our economic problems are cutting exactly the services that our social problems need in order to be managed properly.

The financial crisis and its huge social impacts in many EU countries, raise questions about the ability to measure progress using only economic criteria. The crisis offers us an opportunity to examine society's priorities and what really matters to citizens and how to measure progress. This work has already been started, including the Better Life Index^e from the OECD, with international organisations and some national governments looking at ways to measure our societies^f. The outcome has the power to revolutionise policy-making –breaking the hegemony of economic thinking as the dominant political paradigm and shaping society in the upcoming decades.

The economic crisis has exposed the weakness of the current economic model and also raised questions about how progress in society should be measured. The crisis highlighted how certain financial growth models are short-term minded with unforeseeable risks, and do not take sustainable development into account. Now, there is a need for new objectives and new ways to measure progress towards those goals. The interface between how different areas of life are affected by a person's employment status is overlooked by current growth models and measures of economic performance. As Stuckler et al. (2011) point out, in the post-Soviet economic crisis regions with higher labour turnover rates, experienced higher levels of suicide. In Western countries, during recessions the consumption of cheaper junk-food increases, as do employment levels at many fast-food restaurants. At the same time, others eat out less and cook at home. The role of social protection is also highlighted, and Stuckler et al. (2011) argue that the health of Malaysians did not suffer in the East Asian economic crisis due to the fact that unlike other countries in the region, it chose not to follow the advice of the international financial community to reduce spending on social protection. The role of communities and support systems also emphasises that the negative effects of a recession on a person's health when they lose their job can be reduced through their participation in social organisations, such as trade unions, sports clubs or volunteer organisations. GDP alone does not simply capture these nuances and cannot explain how growth and times of recession impact on well-being.

From a societal progress point of view using solely GDP can be problematic. For example, the U.S. has a higher GDP than many OECD countries, but worse health outcomes. Indeed, the U.S. spends a higher percentage of its GDP on health than many countries in Europe. The end result is that, this increases the U.S. GDP as more

^e <http://www.oecdbetterlifeindex.org/>

^f There is also the well-being data from the Gallup World Poll, <http://www.gallup.com/poll/wellbeing.aspx>

money is being spent on health, while at the same time, shows that the health spending in the U.S. is less efficient. The Stiglitz Commission also used the challenge of obesity in the U.S. to demonstrate how using GDP as a sole indicator can be problematic (Stiglitz, Sen, Fitoussi, 2008). Obesity is a complex condition, and during 1980–2008, obesity rates doubled for adults and tripled for children in the U.S. The causes of obesity occur at social, economic, environmental, and individual levels. America, similar to many Western societies often fosters environments that promote physical inactivity and increased consumption of less healthy food and sugary drinks. The majority of jobs involve sitting at a desk for most of the day, and many Americans rely heavily on their cars to get around. Leisure time is often spent watching TV, or playing computer games. Obesity increases the risk of many health conditions, such as: coronary heart disease, stroke, and high blood pressure; type 2 diabetes; cancer and mental health conditions. For this reason, obesity is a costly condition and in 2008, overall medical care costs related to obesity for U.S. adults were estimated to be as high as \$147 billion (Center for disease control and prevention, 2011). In economic terms, the services and products that contribute to ill-health would be calculated as part of GDP, as well as the medical services spent towards correcting health problems related to obesity. In the case with the U.S., as obesity levels rise and there is an increase in medical expenditure – there is a subsequent increase in GDP. This increase in the GDP and economic activity, would not reflect the burden to society or personal suffering of the condition, thus the figure is distorted.

5. Delinking prosperity and growth

In "Prosperity without growth: economics for a finite planet" (Jackson, 2012), Jackson, who chairs the Sustainable Development Committee for the UK, makes the argument that societies will need to delink prosperity from growth. In many advanced economies there is a growing knowledge base that consumption does not add to human happiness. In addition, the increasing level of consumption cannot be sustained by ecosystems and finite resources. He proposes that prosperity should be redefined more in terms of family and relationships – social capital. But social capital may be as unequally distributed in people and places as wealth. Jackson also makes the arguments equal wage distribution and the need to balance between investment and consumption. He looks at the need to balance new investments in energy efficiency and fossil-fuel replacements, which needs to be done in a proper time frame. He further calls for investment in long-term infrastructures and public goods.

Jackson (2012) cites Amartya Sen's "capability for flourishing" (Sen, 1985; 1999) and its implications on human needs: "Are they well nourished? Are they free from avoidably morbidity? Do they live long? Can they take part in the life of the community? Can they appear in public without shame and without feeling disgraced? Can they find worthwhile jobs? Can they keep themselves warm? Can they use their school education? Can they visit friends and relations if they choose?"

Sen (1985) also demonstrated that the capacity of individuals to translate a certain 'commodity' (for example income) into 'achievements' in the other areas of their life is contingent on a mixture of factors, such as social conditions and access to other 'commodities' such as healthcare and education. This means that a person's income and assets are not the only drivers of well-being and progress. This is relevant as GDP is often equated to the accumulation of capital available. (Dheret, 2011) Therefore, an increase of capital would entail more resources to satisfy needs and increase in GDP and growth.

These arguments would seem to be advanced by actors in the international community. For example, in 2006 the World Bank released a report "*Where Is the Wealth of Nations ? Measuring Capital for the 21st Century*", which would support most of these findings (World Bank, 2006). The report looks at several aspects of "wealth" produced, natural, and human and institutional Capital. By diving wealth into human, natural and produced capital the World Bank highlights that wealth, welfare, and sustainability are closely interlinked. This also

emphasises the importance of sustainability. Most economist focus on capital, understood to be *physical capital* which is comprised of structures and equipment used for production. The division of wealth advances the argument that physical capital (produced assets) is not the main component of a country's wealth. Rather, what is important for countries are human resources (a country's *labour force* and human capital)? Natural capital is another important component of every nation's wealth. What one can take from the debate, is the argument that when trying to achieve growth, one has to take into consideration natural capital and the workforce (World Bank, 2006).

The study found that human capital and the value of institutions (as measured by rule of law) make up the majority of wealth in almost all countries, which highlights the role of social protection systems and investing in people. Natural capital (natural resources) is a fourth of total wealth in low-income countries, larger than the share of produced capital. This implies that better management of ecosystems and natural resources is essential to ensuring the sustainability of developing countries. For example, the report states "There are important examples of resource-dependent countries, such as Botswana, that have used their natural resources to underpin impressive rates of growth. In addition, the research finds that the value of natural capital per person actually tends to rise with income when we look across countries—this contradicts the received wisdom that development necessarily entails the depletion of the environment". The role of natural resources in creating prosperity advances the argument for the role of environmental resources in reducing poverty, fighting hunger, and lowering child mortality. Another important conclusion is that for low income nations, increasing economic activity through depleting natural resources will result in lower welfare in the long-term.

For human capital, the report also had several interesting findings. The majority of wealth worldwide is intangible capital - human, social and institutional capital. In high income countries, there is a similar level of produced capital and lower levels of natural capital. This implies that rich countries have created their wealth largely due to the skills of their populations and the quality of the institutions supporting economic activity. Wealth can be impacted on by non-economic institutions. For instance, countries with efficient judicial system, clear property rights, and an effective government, will result in higher total wealth. Investments in education and the functioning of the justice system are crucial means of increasing the intangible components of total wealth. It also found that as a country becomes richer, intangible assets rise in ratio to natural resources, as economies move to manufacturing and services. The implications of this study, is that prosperity, sustainability and wellbeing have to be considered when trying to promote growth. Without natural resources, social protection systems, skills development, and institutions there cannot be growth and increased welfare in the long-term.

6. Wellbeing and promoting human and social capital

However, the relationship between economic performance and social capital is more complex as individual income plays a part in well-being but it has a ceiling: essentially once an individual has enough income to cover his or her 'needs' – which are culturally relative – he or she does not get incrementally happier within subsequent increases in income. Afterwards any increase in happiness is weakly connected to increases in income per capita (Veenhoven, 1991). Many infer from the well-known Easterlin Paradox that an increase in gross domestic product does not automatically lead to an increase in perceived well-being. This suggests that the relationship between economic development and happiness has a threshold and beyond this threshold developed societies seek to obtain better quality of life, environmental protection, and social connections (Inglehart, 2000).

The link between well-being and GDP is multi-faceted, for example McGillivray and Clarke (2006, p. 3) note that concepts such as "*quality of life, welfare, well-living, living standards, utility, life satisfaction, prosperity, needs fulfillment, development, empowerment, capability expansion, human development, poverty, human*

poverty, land and, more recently, happiness are often used interchangeability with well-being without explicit discussion as to their distinctiveness". The trade-offs must be recognized, for instance the production of any commodity or good comes at a cost, such as natural resources. Therefore, in the short-term an increase in consumption may be related to increased well-being because a need is met. However, in the long term exhausting natural resources means that there is less capital available in the future, and potentially would limit growth. Thus one could argue that any long term strategy that does not address sustainability will limit economic development for future generations. A long-term strategy would have to look beyond GDP and not only focus on satisfying current needs and address well-being, but consider the needs and well-being of future generations.

French President Nicolas Sarkozy appointed the Stiglitz Commission in 2008 to further explore the issue of measuring GDP and wellbeing. The Commission presented the shortcomings of GDP and recommendations to correct them, rather than proposing an index to replace GDP (Stiglitz, Sen, Fitoussi, 2008). For a shortcoming, the Commission found that individuals with greater capacities for enjoyment or greater abilities for life achievement may be better off even if they have fewer economic resources. As was previously stated, there is no direct correlation between economic performance and increases in happiness or wellbeing. But the discourse should not be oversimplified, because in certain cases such as part-time employment due to lack of job opportunities and unemployment, this will decrease the wellbeing of the individual and represents a loss to the economy. However, the Stiglitz Commission found that the negative effects (sadness, stress and pain) exceed the income-loss suffered by those who lose their jobs.

The Stiglitz report emphasized that health is a basic feature shaping both the length and the quality of people's lives. To measure progress would require statistics for both mortality and morbidity and significant data gaps remain in both fields. For measuring health, there are also challenges when including forms of mental disorders due to differentiations in prevalence and definition. Most research based on this subject reports high prevalence of mental disorders in 2007 ranging from 9% in Italy, Japan, Spain and Germany, to 18% in France and 26% in the United States. (WHO World Mental Health Survey Initiative). The Commission noted other indicators, such as Disability-Adjusted Life Year (DALY), Disability-Free Life Expectancy (DFLE), and Health-Adjusted Life Expectancy (HALE) based on recognisable concepts of illness, disability and mortality, but their calculation is complex. These also raise ethical issues on disabled life years being valued more than healthy life years, which can have implications on healthcare. There are other self-survey measures which could compliment these, but they are more subjective – i.e. general measures of self-reported health, specific measures of self-reported health, and activities of daily living and instrumental activities of daily living.

These measurements also reflect a linked topic, which are health inequalities. Health inequalities do not consistently narrow over time, and are even widening in some countries. Inequalities in average life expectancy are also significant between ethnic groups. Countries have differing morbidity and mortality rates, as well as in surveys women generally report lower health status, although they tend to live longer – which implies a lower number of healthy life years. These differences in health status affect people of all socio-economic backgrounds. In European countries, the mortality rates of less-educated people are, on average, around 50% higher than for their more-educated counterparts, with lower gaps for women compared to men, and for the elderly compared to younger people (Mackenbach, 2006). One of the conclusions of the Stiglitz committee is prioritising the measurement of health inequalities (in both absolute and relative terms), and especially the link between health outcomes and socio-economic status.

The Commission also highlights the link between social capital in creating prosperity and promoting wellbeing. For example, it is well known that education and providing skills and competencies are necessary to improve productivity, wages and economic performance. In addition, education also improves quality of life

beyond bringing higher income, for example: better-educated people typically have better health status, lower unemployment, more social connections, and greater engagement in civic and political life. There are also other links with quality of life; less healthy children may miss school more often or children at risk of poverty may have to choose between work and going to school, or caring for their guardian.

Moreover social connections and political voice improve quality of life and are beneficial to the economy. People with more social connections will report a higher quality of life, which would make sense as many leisure activities involve socialising. The benefits of social connections extend to people's health and to the probability of finding a job. The ability to participate as full citizens, to have a say in the framing of policies, to disagree and voice concerns are essential freedoms. At the same time civic participation can help improve and correct public policy, while ensuring the accountability of officials and public institutions, and raise awareness on what people need and value. Political voice also reduces the potential for conflicts, helps build consensus, enhances economic efficiency, social equity, and inclusiveness in public life.

7. Implications for Europe 2020

The European Commission conducted a social stocktaking exercise in 2007 following the conference on Beyond-GDP indicators. The process led to a new social vision for 21st century Europe built around three strands- opportunities, access and solidarity^g. This was followed in June 2008 by the renewed Social Agenda, which offers a new vision for the pursuit of the EU's social objectives (Barroso, 2009). The debate on social priorities and progress is necessary to understand the political processes and public discourse that preceded the adoption of the Europe 2020 Strategy.

The first comment to be made is that the Europe 2020 Strategy follows the conventional ways of measuring progress, mostly through economic indicators. There was an opportunity to replace the historical indicator of GDP with ones that better reflect well-being, social inclusion and the state of the planet. The question of promoting wellbeing seems not to be addressed in the Europe 2020 Strategy, although the education target and the fight against poverty will go a long way to promoting wellbeing. There is also the question that the level of poverty and inequality is continuing to rise as the economic crisis worsens, but the poverty target has already been set. The approach of “smart, sustainable and inclusive growth” links investing in social infrastructure as an economic investment. As the crisis has worsened and austerity measures have been put in place and there are drastic cuts in social expenditure and schools and hospitals have closed, causing jobs to be lost and making it more difficult to reach the education target^h. From the point of view of trying to promote a sustainable and inclusive society, these will be barriers to improving human development. As shown earlier there is a link between social and human capital and economic performance, thus not addressing these issues is short-sighted and a missed opportunity.

From a wellbeing perspective other links are missing: there is little discussion about how increasing employment rates will benefit all of society, including migrants who are often excluded from the labour market; older persons who have difficulties re-integrating into the labour market; and young people that may be unable to find an initial first job. There is no reference reconciliation of professional and private life or quality employment until the “Agenda for new Skills for new Jobs” (European Foundation for the Improvement of Work and Living

^g Communciation (2007/0726) Opportunities, access and solidarity: towards a new social vision for 21st century Europe http://eur-lex.europa.eu/LexUriServ/site/en/com/2007/com2007_0726en01.pdf

^h For more information please see EU at risk on missing targets on early school leaving and graduate education http://ec.europa.eu/education/news/20120210_en.htm

Conditons, 2011). Without a link to how existing jobs will be reoriented to correspond to the need of environmental sustainability in order to create “green jobs,” questions have to be asked on how the EU intends to deliver on this goal. The inadequate care structures which exist in some member states combined with the demographic changes the EU faces, make training and reorientation to “white jobs” important. One should consider this due to the fact that 23 million people are unemployed in the EU which is 10% of the active population. This also shows how well-thought out policy initiatives can promote social inclusion, quality employment and sustainability Commission President Jose Manuel Barroso said (European Comission, 2009):

“A smart economy and a wise society based on strong European values go together. Growth, sustainable public finances, tackling climate change, social inclusion, a strengthened industrial base and a vibrant services sector are not alternatives. They reinforce each other” (European Comission, 2009).

The ratification of the Lisbon Treaty could have had a greater impact on the development of the Europe 2020 strategy and inclusion of complementary GDP indicators, as it strengthened EU coordination in social policy with “horizontal social clause” article 9 which states “in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health” (Auwers, 2011). The strategy also seems not to cover all policy area and with the financial crisis and demographic changes, it would make sense for the Europe 2020 strategy to contribute to the sustainability of the European social model. There is also an equity aspect missing to make sure that the targets will benefit all members of society, particularly with changes in the social services provisions that are a part of the national reform programmes that are the implementing tools for the strategy (Maartens, 2010).

However, the links between the different flagship initiatives and how the flagship targets reinforce each other remains unclear. Furthermore, there is very little reference to health in the overall strategy. The EU’s future action in health did not become clear until all the flagship initiatives were unveiled and it became evident that it would be included in several flagship initiatives.

Although, the EU has adopted a target to reduce greenhouse gas emissions by at least 20% compared to 1990 levels, increase the share of renewable energy in final energy consumption to 20%, and achieve a 20% increase in energy efficiency, this may not adequately address the challenges climate change, overconsumption of resources, and degradation of the natural environment that the EU is facing (Warleigh, 2010).

The EU 2020 Strategy will be the main driver of the EU’s economic and other policies in the next decade. There are general terms such as “sustainable growth”, “inclusive growth” and a “low-carbon economy”, but with little detail of what these are or how they are to be achieved. In order to achieve the sustainability and social inclusion target, the innovation approach will have to be people focused, promote the public interest, and be resource efficient (Perrons & Plomenien, 2010). Less socio-economic inequalities promotes stronger and more sustainable growth in addition to social benefits for all of society. Inequalities in the transformation of industrial societies to service and knowledge-based economies will be a barrier to inclusive growth as part of the population will be excluded, acting as a hindrance to modernisation. In addition, highly skilled industries tend to have higher levels of wage inequality. Therefore, in order for Europe 2020 to be successful in reaching its targets and achieving sustainable growth, a more holistic approach is necessary.

It also risks failure by repeating errors from the Lisbon Strategy experience which ended up being dominated by traditional economic growth and competitiveness objectives (Barbier, 2011). The Europe 2020 Strategy is also an improvement with more concrete targets and delivery mechanisms. Fabian Zuleeg (2010) argues that the three

aspects to sustainable development are covered – economy, social and environmental. Thus, solely incorporating traditional economic targets is a missed opportunity to advance different ways of measuring societal progress and wellbeing, which could have been the overarching goal. This approach would use growth and jobs as tools to achieve more sustainable wellbeing.

From a social capital perspective, there are however some improvements compared to the Lisbon Strategy. In order to improve economic performance and social inclusion, the education target is an important step forward (Theodoropoulou, 2010). However, the targets - early school leavers and graduates will be hard to influence at the EU level. Furthermore, for all the targets each Member State will make its own target, thus political will at the national level could impact the efficiency of the Strategy.

8. 2012 –taking stock of progress achieved

The Council of the European Union also welcomed EU action in this area. The Environment Council noted the need for indicators to complement GDP and give a “more accurate picture of the inter-linkages between the environmental, economic and social aspects of wealth, welfare and well-being”. Environment Ministers anticipated the Commission Communicationsⁱ. The Economic and Financial Affairs Council acknowledged the need to step up efforts to improve the interlinkages between economic, social and environmental statistics and invited the European Statistical Strategy to contribute to these initiatives^j. The conclusions of the European Council of 25 and 26 March 2010 and 17 June 2010 recognized the need to further develop appropriate indicators to measure progress towards the education and poverty reduction targets^k. Political momentum has been building through the different EU Institutions. The European Parliament adopted a resolution on the Pittsburgh G20 Summit calling for new indicators for sustainable development that go beyond GDP measuring well-being and environmental impact in October 2009^l. The European Economic and Social Committee adopted a report in support of the initiative^m. Similarly the EU Committee of the Regions expressed support for beyond GDP agenda and in their opinion called for the use of complementary indicators to GDP for regional development policies in October 2010ⁿ.

In June 2011 European Parliament adopted a resolution that called for the greater use of impact assessments, welcoming the establishment of a solid legal framework for the European Environmental Economic Accounts as a positive step in the ‘GDP and beyond’ process and called for more up to date data^o. This progress lead to the

ⁱ “Beyond GDP” 2928th Environment Council meeting Brussels, 2 March 2009

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/111007.pdf

^j “Beyond GDP” 2972nd Economic and Financial Affairs Brussels, 10 November 2009

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/111007.pdf

^k EUROPE 2020: A NEW EUROPEAN STRATEGY FOR JOBS AND GROWTH European Council Conclusions 25/26 March 2010

Europe 2020: A Strategy for Jobs and Growth. <http://register.consilium.europa.eu/pdf/en/10/st00/st00007.en10.pdf>

European Council Conclusions 17 June 2010 Finalising and implementing the Europe 2020 Strategy

http://ec.europa.eu/eu2020/pdf/council_conclusion_17_june_en.pdf

^l European Parliament resolution of 8 October 2009 on the Pittsburgh G-20 Summit of 24 and 25 September 2009

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2009-0028+0+DOC+XML+V0//EN>

^m EESC Opinion: GDP and beyond – Measuring progress in a changing world

<http://www.eesc.europa.eu/?i=portal.en.nat-opinions.19420>

ⁿ Opinion of the Committee of the Regions on ‘Measuring progress — GDP and beyond, [http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:015:0017:0022:EN:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:015:0017:0022:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:015:0017:0022:EN:PDF)

^o European Parliament resolution of 8 June 2011 on GDP and beyond – Measuring progress in a changing world

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2011-0264>

European Parliament resolution calling for an alternative model to measure growth and welfare 'beyond GDP' at the Rio+20 Summit in September 2011^P.

In May 2010, Eurostat launched a webpage to show the work it is doing on complementary indicators to GDP^Q; Eurostat is attempting to make the connection between indicators to complement GDP and the Europe 2020 strategy- the theme of the 2011 Eurostat conference "Statistics for policy making: Europe 2020". One of the first links between these two agendas is the release in 2010 of the statistics report "EU Citizens at Risk of Poverty". Eurostat also conducted a feasibility study on well-being indicators and a suggested list of indicators to be used^r (Combining subjective and objective substances) covering:

- Physiological needs
- Basic rights on health & income
- Physical & political safety
- Economic security (education, skills, job)
- Safety-security
- Physical environment
- Individual valued activities Autonomy & freedom
- Relatedness-belonging Social interactions
- Basic rights at social/societal level
- Competence & self esteem

Many of these indicators can be found in the European Social Survey, Eurofound survey and European Union Statistics on Income and Living Conditions. However three "types" of data gaps exist: (i) insufficient country and/or time coverage, (ii) data exist at EU level but not in the Eurostat system, (iii) and data currently seem not exist at an harmonised EU level. Some of the variables for the indicator set were only available for one year. It is therefore crucial to seek ways to link databases from different sources (with different quality) or to complement existing databases with other databases and examine how far this data source coupling would "solve" the data problem.

In 2011 the Commission released and the European Council endorsed a communication on the quality management of European statistics, in an attempt to maintain the high quality of statistical indicators. Despite the work of Eurostat on developing indicators to complement GDP, no mention of social or environmental statistics was made. It should be noted that the Commission and Council agreed to develop a specific quality management system for public statistics and to promote cooperation with the National Statistical Institutes and other national ministries, and furthermore with Eurostat. The Council Conclusions also acknowledges that the financial crisis has identified some weaknesses have been identified, in quality management of economic statistics.

^P European Parliament resolution of 29 September 2011 on developing a common EU position ahead of the United Nations Conference on Sustainable Development (Rio+20) <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2011-0430+0+DOC+XML+V0//EN&language=EN>

^Q European Commission goes beyond GDP
http://epp.eurostat.ec.europa.eu/portal/page/portal/gdp_and_beyond/introduction

^r Available at: http://epp.eurostat.ec.europa.eu/portal/page/portal/gdp_and_beyond/documents/Feasibility_study_Well-Being_Indicators.pdf

Directors General of the National Statistical Institutes (DGINS) adopted the Sofia Memorandum^s (in September 2010), recognising that the timeliness, comparability and coverage of various dimensions of quality of life statistics need to be improved and that, for comparison purposes at European level, the European survey on income and living conditions (EU-SILC) should be developed as a core instrument for measuring quality of life dimensions not already covered by other statistical source. Moreover, they asked to develop concrete proposals to be implemented in the framework of the 2013-2017 statistical programme of the European Statistical System. This is an opportunity to change the way Eurostat and the national statistical offices collect data and integrate social and environmental indicators and ensure a coherent approach EU-wide.

The DG of the National Statistical Institutes adopted the Wiesbaden Memorandum (in September 2011)^t. The declaration noted that social statistics should be based on reliable and up-to-date sampling frames. At the EU level and national level the aim is for better access to administrative data, re-use of existing data and to streamline social surveys providing data (including microdata) on persons and households. The need for better information on time use and household budgets was noted along with the importance of strengthening the links between social statistics and national accounts. These two declarations are important demonstrations of political will, and have the potential to make use one of the strengths of GDP – the national accounting systems that guarantee high quality data - to measure wellbeing.

When looking at the actions achieved achieving the five actions off the Beyond GDP roadmap, one can see that progress is being made. However, progress is being made unevenly for example for there is legislation on environmental indicators. Action four “develop a European sustainable development scoreboard” will not happen until 2014.

8.1. Action 1: Complementing GDP with environmental and social indicators^u

- Improvement of analysis and dissemination of available statistics on the different dimensions of quality of life (work of Sponsorship Task Force 3 + new project which started in 2011);
- Additional sets of topical questions (i.e. a 2013 EU-SILC ad-hoc module on aspects of well-being);
- The Eurostat feasibility study on well-being indicators with a suggested list of indicators (at country level) has been approved and communicated to the ESS Sponsorship Group and the inter-departmental co-ordination group. (March 2010)

8.2. Action 2: Provide near real-time information for decision-making

- Now-casts of environmental accounts;
- Development of a methodology and calculation of CO2 emission inventories based on energy statistics transmitted to Eurostat under the Energy Statistics Regulation (ESR);

8.3. Action 3: Report more accurate reporting on distribution and inequalities

- Improvement of cross-cutting analysis and of key distributional issues from available sources (EU-SILC);

^s Sofia Memorandum, DGINS

http://epp.eurostat.ec.europa.eu/portal/page/portal/gdp_and_beyond/documents/Sofia_memorandum_Final.pdf

^t Wiesbaden Memorandum, DGINS

http://epp.eurostat.ec.europa.eu/portal/page/portal/gdp_and_beyond/documents/wiesbaden_memorandum_wiesbaden_2011pdf__EN_1

^u http://epp.eurostat.ec.europa.eu/portal/page/portal/gdp_and_beyond/achievements

- Improvement of methodology for the establishment of micro-data sets such as by inter-linking existing social surveys through core variables and by data-matching;
- Publication of the Statistics in Focus on "The 9 poorest countries catching up on income per capita" (April 2011)
- Publication of Statistics in Focus on "EU citizens at risk of poverty" (February 2010)

8.4. Action 5: Extending national accounts to environmental and social issues

- Bridging social surveys with national accounts (no timeline specified)
- "Regulation of the European Parliament and of the Council on European Environmental Economic Accounts" (Regulation 691/2011) (July 2011)"
- Publication of the Statistics in Focus on "CO2 emissions induced by EU's final use of products are estimated to be 9 tonnes per capita" (May 2011)

More progress is expected to be made, as Environment Ministers adopted Conclusions on Rio+20: Outcome and follow-up to the UNCSD 2012 Summit^v, and unanimously called on the European Commission to quickly submit a foreseen communication on a follow-up of "GDP and beyond" and noted it "necessary to agree on the development of a set of interlinked indicators that complement GDP, to be applied at international, EU and Member State levels, as appropriate, particularly addressing, among others, resource depletion, environmental degradation, health, socio-economic inequalities and social marginalization".

9. Conclusions

What one can see from the EU level is that there are efforts being made to develop indicators to complement GDP. Academics, economists and statisticians are working together to create a better system for measuring progress, and there is consensus on the need to go beyond GDP. However, in order to achieve an inclusive and sustainable society and Europe 2020 objectives, social and environmental statistics and indicators will have to be on the same level with economic statistics in regards to their scope, details and timeliness. For better policy making, decision makers need up-to-date information on all the relevant information. To this goal, the EU can promote (Frazer et al, 2010):

- incorporating these indicators more systematically into the Member States' national monitoring and analytical frameworks
- systematic use of *ex ante* and *ex post* social and environmental impact assessment (as part of an overall assessment) included the policy-making process at EU and national level.
- boosting statistical capacity at EU, national and sub-national levels and in particular ensuring the production of more timely social and environmental statistics
- reinforcing the analytical capacity of those people and institutions engaged in the new EU 2020 process (at both country and EU levels), so as to ensure that the process becomes more rigorous, more challenging and more comparative

The 2012 review is an opportunity for EU leaders to look ahead to reaching 2020 objectives and rethinking the growth model. The EU can move away from "ever more" to "ever better". The primary purpose of economic development should be to guarantee people's quality of life. There is a clear need for action at the EU level; to

^v Conclusions on Rio+20: Outcome and follow-up to the UCSD 2012 Summit 3194th Environment Council meeting Luxembourg, 25 October 2012 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/envir/133219.pdf

mirror the public debate that has been happening at the international level and in Member States, such as France^w, the UK^x, Germany^y, Belgium (Bleys, 2009) and Slovenia. In these countries, the issue has been discussed even at the highest political level – by the heads of state.

EPHA

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^w As reported in "The Sarkozy-Stiglitz Commission's Quest to Get Beyond GDP" <http://www.thenation.com/article/159926/sarkozy-stiglitz-commissions-quest-get-beyond-gdp>

^x See BBC news report "Make people happier, says Cameron" http://news.bbc.co.uk/2/hi/uk_news/politics/5003314.stm

^y As reported in "Anderes Wachstum gesucht" <http://www.taz.de/1/archiv/archiv/?dig=2010/02/11/a0113>

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